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TITLE OF THE PROPOSED THESIS

A STUDY OF DEFAULT RISK AND EVALUATION OF PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES IN DAKSHINA KANNADA DISTRICT OF KARNATAKA WITH SPECIAL REFERENCE TO RURAL FINANCING

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1.0 INTRODUCTION

Cooperation means working together. It is truely the basis of domestic and social life. Cooperation is a strong philosophy of human association. It is a set of values and principles that unites the people to achieve various goals. Emerson said, " cooperation has a more evolutionary force in the development of man than has the bitter competitive struggle for existence". H.Calvert defined co-operation as "a form of organisation, wherein person voluntarily associate together as human beings, on a basis of equality for the promotion of the economic interests of themselves." The practice of the principle of cooperation has contributed to the development of human race more than any other biological and social factor.

Cooperative is a strong movement having its own historical track in different countries. It has social, economic and political significance. Cooperative institutions are formed with different aims ultimately to achieve common mutual goals. According to Prof. Paul Lambert "a cooperative society is an enterprise formed and directed by an association of users, applying within itself the rules of democracy and directly intended to serve both its own members and the community as a whole."

1.1 CO-OPERATIVE MOVEMENT IN INDIA

The Co-operative Movement in India took birth in 1904 by the enactment of Co-operative Societies Act 1904. The aim was to promote credit societies. The Second Act was passed in the year 1912. The Co-operative societies Act 1912 aimed at promotion of thrift, self help among agriculturists, artisans, and persons of limited means.

The post independence era witnessed the saga of human struggle not only to better the lot of the poor people but also to ensure equitable distribution of wealth and in this endeavour cooperative had a crucial role to play. People from various classes assembled under the umbrella of cooperatives. Be it green (agriculture), white (dairy), yellow (poultry) and blue (fishery) revolutions, their success depended on the vast cooperative network spread in the nook and corner of the country. The age old institution of money lenders crumbled under the weight of credit cooperatives and banking institutions in rural and urban conglomerations. Spread of the movement in non-credit sector also followed in a big way.

Right from the fifties of the 20th century, the country charted its course of economic development and chose mixed economy as the means to attain the goals. Whereas public and private sectors were assigned specific roles, the cooperative movement which has not been designated as a distinct sector even today had to fight its own battle and carve out a niche for itself in the economy. State participation in the financial set up of cooperatives became an integral part of the deliberate policy of the Government to promote cooperatives. Agricultural development became a major plank of the government. Cooperatives were to support the massive programmes for increasing agriculture production and creating suitable post- harvest facilities. The wide network of credit movement was assisted by non-credit cooperatives in various areas of socio-economic activities.

There was mushroom growth of cooperatives in credit and non-credit areas. Both credit and non-credit cooperatives had various tiers extending from primary to national levels. There was massive diversification of cooperatives in all spheres of the economy be it primary, secondary and tertiary sectors. Today Cooperative Movement in India is the largest in the world. The movement has permeated all walks of life i.e., agriculture, horticulture, credit and banking, housing, agro-industries, rural electrification, irrigation, water harvesting,

labour, weaker sections, dairy, consumers, public distribution system, international trade, exports, agri-business, human resource development, information technology.

Cooperation emphasises the idea of voluntary association of individuals for the achievement of the common goal. The basic principles of cooperation can be summarised as follows: (a) voluntary association,(b) democratic organisation,(c) self-help through mutual help, (d)common welfare and (e) spirit of dedication and service with absolute honesty and integrity.

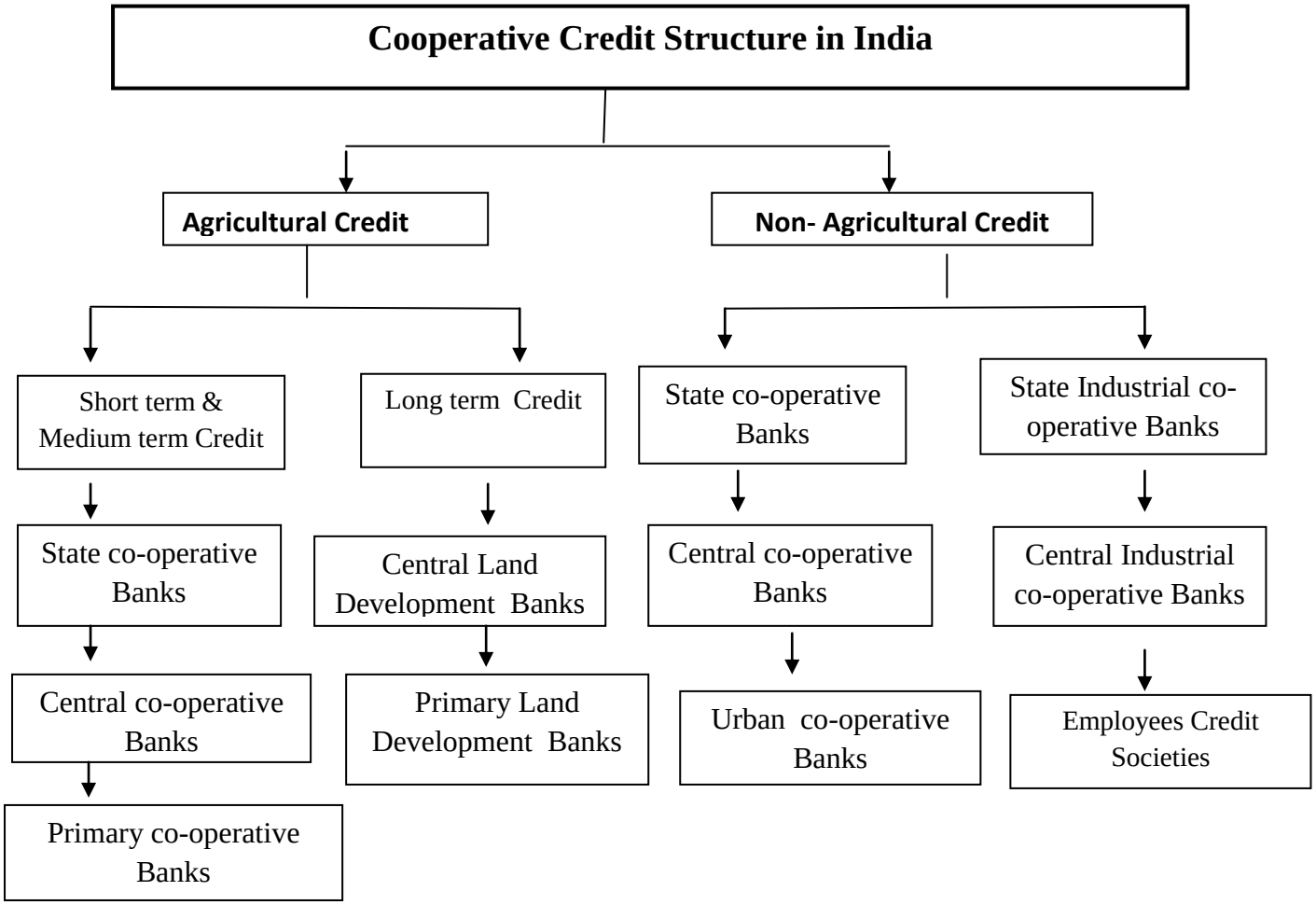
Co-operative institutions have played a vital role in the socio-economic development of the country, particularly in the rural areas and in agriculture and allied sectors. Co-operative Institutions will continue to play a key role in the economic development of the country and will become more relevant in the changing economic environment of liberalization of globalization. Cooperative Movement is wide spread in all the developmental sectors like Credit, Marketing, Consumers, Silk Industry, Dairy, Fishery, Horticulture, Sugar, House Building, Constructions of godown.

Rural money markets in India are dualistic in nature with the co existence of organized & unorganized parts. The organized sector which provides credit to the rural areas, consists of the cooperatives, the commercial banks & the regional rural banks. The unorganized sector comprises of money lenders, friends, relatives & landlords. These two sectors differ basically in terms of flexibility, blending of credit with other economic activities, informal dealings with customers & secrecy in financial dealing.

Co-operative account for a relatively small share in the bank dominated financial system. However, given their geographic & demographic outreach, they hold a key position in the system. Geographically, co-operatives have been instrumental in extending formal financial services to villages & small town in India. Demographically, these institutions have

enabled access to financial services to low & middle income groups in both rural & urban areas.

1.2 COOPERATIVE CREDIT STRUCTURE IN INDIA



Central Co-operative banks are the federation of Primary Credit Societies in a district and are of 2 types – those having a membership of primary societies only and those having a membership of societies as well as individuals. These banks provide finance to member societies within the limits of the borrowing capacity of societies. The management of the

society is vested in the board of directors. The main sources of funds to PACSs are share capital, reserves, deposits from members, non members and borrowings.

The major reason for establishing co-operative was to free the poor & indebted farmers from the clutches of the traditional money lenders who provided credit at high interest rates. Therefore the primary co-operatives started out as credit societies. Later on other type such as market co-operatives were introduced. These were designed not only to facilitate the production process but also to increase agricultural production. Co-operative finance is the cheapest and best source of rural credit with a low rate of interest.

1.3 TYPES OF COOPERATIVE SOCIETIES

There are two types of cooperative societies

- **Credit cooperatives**

Credit Cooperatives deal with the financial requirements of the members of cooperatives. Primary agricultural cooperative society is a credit cooperative society.

- **Non- credit Co-operatives**

Non Credit Cooperative deals with activities like consumer goods, weaving, marketing members produce & so on. These societies are like, Housing cooperatives, consumer cooperatives, marketing cooperatives, milk cooperatives etc.

2.0 COOPERATIVE MOVEMENT IN KARNATAKA

The first co-operative society of our country was registered in 1905 at Kanaginahal village of Gadag district in Karnataka. Sri Siddanagouda Sannaramana Gouda Patil is considered as the pioneer in the co-operative movement as he is the founder president of the said co-operative society in our country.The Mysore Co-operative Societies Act 1959 is the first legislation in our state pertaining to the co-operative societies and has come into being from 25-05-

1960.Karnataka occupies third position in the co-operative movement in India. It has been playing an important role in improving the economic condition of people involved in co-operative movement and has spread to almost all sectors of economic activities, both in rural and urban areas.

Karnataka is the first state where in Agricultural loans through co-operatives are available at 3% which is the lowest in the country. This facility is also extended to the loans borrowed by weavers and fishermen. Loans are available, if borrowed through co-operatives, for self-help groups at 4%. Government of Karnataka is subsidizing the co-operatives by providing Interest- subsidy through budgetary provisions.

Since the implementation of the recommendations of Prof.Vaidyanathan Committee through MOU with Government of India, NABARD and the state Government in March 2008, the role of the state Government in respect of Agricultural credit structure Institutions has metamorphised from the role of regulator, supervisor to the role of being a Friend, Philosopher and Guide. All statutes, circulars, orders which were coming in the way of day to day internal affairs of the institutions have been withdrawn.A new era of co-operative credit structure through self-governance and independent decision making has come in to being and it is hoped that the co-operatives will become professionally efficient and financially viable in the years to come. The state has witnessed a tremendous growth in the Cooperative Sector.

Cooperative credit institutions in Karnataka State provide credit to agriculture as well as non-agricultural sectors. Short, medium and long term credits are being provided by cooperative credit institutions. There are two separate cooperative agencies for the provision of agricultural credit, one for short and medium term credit and the other for long term credit. The former has a three – tier Federal organizational structure consisting of a State Cooperative Bank at the state level, a Central Cooperative Bank at district level, and Primary

agricultural credit societies at village level. It consists of 5149 Primary Agricultural Credit Societies (PACS) at village level, 21 District Central Cooperative Bank at state level. The long term cooperative credit is provided by the Cooperative and Agriculture Development Banks. There is also a federal set up in the long term agricultural credit set up, KSCARD Bank at State level and 177 PCARD Bank at Taluk level cater to the long term credit needs in the two tier credit delivery system. The NABARD is the apex institution at the National level for agricultural credit and provides financial assistance to the various agencies.

2.1 PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETY IN DAKSHINA KANNADA DISTRICT

Late. Molahalli Shiva Rao laid the foundation for the co-operative sector in the coastal belt in 1919. He founded South Kanara Agriculturists Co- operative Marketing Society at Puttur. Later it was shifted to Mangalore. At present there are 115 Primary Agricultural Co-operative Society (PACS) in D.K. District. There are 5 Primary Co-operative Agricultural & Rural Development Banks [PCARDB] (one each in Taluk) and 5 Large size Adivasi Multi – Purpose Co-operative Societies [LAMPS] (one each in Taluk) in D.K. District.

Dakshina Kannada District is divided in to 5 taluks. PACS in these 5 taluks are selected for the study.

Mangalore	Bantwal	Puttur	Sullia	Belthangady	Total
21	29	19	23	23	115

2.2 NEED FOR AGRICULTURAL CREDIT

Agriculture is the backbone of Indian economy and prosperity of agriculture can significantly contribute to the general prosperity of the nation. In India, most of the people are depend on

the agriculture sector. Agricultural development is an integrated part of overall economic development. Cooperative societies are playing significant role in the development of the economy. The adoption of modern agriculture technology requires the applications of input like chemical fertilizers & pesticides along with the development of land & water resource. All these lead to intensive demand for credit. The problem of agriculture credit has assumed greater importance in view of the fact that the new technology depends on external finance for its wide spread adoption.

Agriculture is an important industry and like other industries it also requires capital. The importance of credit for agriculture has assumed added significance in India in view of the pivotal position agriculture occupies in the national economy. In most of the countries of the world an attempt has been made to develop institutional credit for agriculture on co-operative lines. The co-operative form of organizations are considered best for providing credit to the farmers. Co-operative organizations have been recognized as the best institutions for providing rural credit for farmer because they satisfy all the important criteria of sound agricultural credit.

2.3 ROLE OF AGRICULTURAL CO-OPERATIVES

Agricultural cooperatives in India are very actively and intimately involved in several agricultural related activities. The most important activities are the disbursement of short term credit and distribution of fertilizers and other inputs such as seeds, pesticides, agricultural implements etc. Co-operatives play a very important role in disbursement of agricultural credit. They play a very significant role in disbursement of medium term and long term credit needed by the farmer's for purchasing agricultural equipments, installation of tube wells & land development works etc.

In India, majority of the farmers belong to the category of small & marginal farmers. They depend heavily on credit for their agricultural operations. These farmers will not be able to adopt the modern agricultural practices unless they are supported by a system which ensures adequate & timely availability of credit on reasonable terms & conditions. Credit in India is made available to the farmers through a multi- agency network consisting of cooperatives, commercial banks & RRBs. However, co-operatives accounts for a large proportion of the agricultural credit made available to the farmers. The liberalization of Indian economy since 1991 has brought about drastic structural changes in all spheres of the economy. The consequent emergence of global competition brought lot of changes in the strategies of various sectors to impress their competitive spirit and performance.

The cooperative sector in India has spread its activities in all spheres of economy like agriculture, poultry, dairy, fisheries, handlooms, spinning, consumer cooperatives and the like. The cooperatives have emerged as an important & vital sector of the Indian economy. The co-operatives are playing predominant role in the agriculture sector by providing required financial support for its overall growth. The cooperative banks with the help NABARD are extending financial support to the various agro based units like dairying, poultry, fisheries, agricultural marketing & other allied activities. They have been playing a very significant role in making institutional credit accessible to farmers since the beginning of the cooperative movement. The main objective of PACS is to promote economic interests of members in accordance with the principles of cooperation. In compliance with that objective, PACS provide credit to the cultivators, supply of agricultural inputs & also undertake marketing of agricultural produce. The PACS are also expected to inculcate the habit of thrift & savings among members.

2.4 IMPORTANCE OF STUDY

The role of credit and credit institutions is well recognized in respect of augmenting production & productivity. Expansion of institutional structure, directed lending and concessional or subsidized credit are the three main strategy of developing rural financial services. One of the basic objectives of rural credit institutions is to expand lending to effectively meet the demand of rural people. But the rural banks cannot sustain high growth in their loan portfolio unless it is accompanied by substantial improvements in loan recovery rate. While high recovery rate is critical for expansion in lending, low recovery rate affects the profitability of the bank & also increase its transaction cost for recovery of loan outstanding.

Over the 100 years of their existence, the credit co-operatives have played a vital role in the promotion of agriculture & rural development. Their outreach has put them on the top of rural banking networks. However, the high incidence of overdues in the agricultural credit system has become a major constraint in the expansion & recycling of the funds. Formal financial institutions such as the cooperatives, commercial banks & regional rural banks catering to the credit needs of farmers are frequently suffering from the problem of non-repayment of loan from both willful & non willful defaulters. Increase in overdues creates problems which have far-reaching implication & affects the overall agricultural lending operations. Generally, default have been known to contribute to failure of small farmer credit programmes. High default rates in small-farmer credit programmes should be of major concern to policy makers in developing countries because of its unintended negative impact on agricultural financing and output.

The real situation is that small farmers have little or no tangible assets, which can serve as collateral for loans received. They may and often fail to meet repayment obligations. An overdue loan obligation usually includes that part of the principal (unpaid) and accrued interest payment stipulated in the loan agreement schedules, which were entered into during

loan negotiations. Generally, defaults have been known to contribute to failure of small farmer credit programmes.

In this regard, the present study is important as it focuses on the causes of overdue, its effect on PACS & on member defaulters. It also aims to prescribe remedial measures to minimize overdue problems.

2.5 KEY TERMS

Primary cooperative society

It is an association of members of a particular locality whose primary objective is mutual help and support to each other residing in that region. As membership is open to all sections of people in the locality, people of different status are brought together into the common organization. The day to day affaires of the society is managed by Chief Executive Officer and President through the assistance of Board of Directors. The cooperatives operate under limited liability and funds are raised through share capital, reserves, deposits from members and non-members, loans from central cooperative bank

Rural finance

Rural finance comprises financial services offered & used in rural areas by farm & nonfarm population of all income levels through a variety of formal, informal & semiformal institutional arrangements & diverse type of products and services, such as loans, deposits, insurance & remittances. Rural finance includes agricultural finance & microfinance & is a sub sector of the larger financial sector.

Microfinance

It is the provision of a broad range of financial services such as deposits, loans, money transfers, insurance products etc. to the poor and low income households so as to help them to raise their income and improve their standard of living.

Agricultural finance

It is a sub-set of rural finance dedicated to financing agriculture related activities, such as input supply, production, distribution warehousing & marketing.

Default Risk

It is the exposure to loss due to non-payment by a borrower of a financial obligation when it becomes payable. Default risk is related to the credit worthiness of the borrower and is taken in to account when setting interest rate on the requested loan. Lenders & investors are exposed to default risk in virtually all forms of credit extensions. To mitigate the impact of default risk, lenders often charge rate of return that correspond the debtor's level of default risk. The higher the risk, the higher the required return, and vice versa.

Loan default can be defined as the inability of a borrower to fulfil his or her loan obligation as and when due. Credit institutions owe it as an obligation to secure savers' funds. Hence, credit agencies attempt to prevent loan delinquency and default. If an institution loans are not repaid, the lender's capital is lost and the institution will have no incentive to remain in business.

Overdues

The amount of loan that is due on a particular date but has not been paid by that date is called overdue. Overdues are otherwise known as arrears, defaults, or out of time repayment & borrowers against whom overdues stand are categorised as defaulters.

3.0 LITERATURE REVIEW

Review of Literature is very important to know the earlier studies that were carried out in the field. Research gap is identified based on review of literature. It helps us to develop the objectives of the research study and to develop the hypothesis of the study. Literature review related to the topic of research carried out by the researcher is presented below :

Samwel (2000) stated that the loan portfolio in the primary agricultural cooperative banks play a pivotal role for its long term survival and profitability. The high incidence of overdues in the agricultural credit system has become the major constraint in the expansion and recycling of the funds. He analysed different causes for overdues and cost of default on member borrowers as well as primary agricultural co-operative bank.

Rajni and Navikiranjit (2013) analysed the growth of loans and advances & recovery performance of state co-operative agricultural and rural development bank in Punjab. It was observed that the growth of total loans was inconsistent due to large, overdues, Government waiver and big willful defaulters' loans had increased. They analysed the growth of total loans and advances issued by the banks.

Biswa Swarup Misra (2006) studied the factors which impact financial health of cooperatives reflected through their recovery performance. Time series, regression models have been used by the author to ascertain the impact of the various factors on the performance of the primary agricultural co-operative societies.

Thirupathi (2013) made an attempt to explore the sources of funds of PACCS and the mobilization and deployment of funds. He pointed out that the financial stability of societies has a direct bearing to the extent of mobilization of deposits and the collection on loans before they become overdues.The study analysed the financial performance of select PACCS in Mettur Taluk, Tamil Nadu. The author suggested various measures to improve the financial performance of PACCS.

Gandhimathi & Ambigadevi (2012) made an attempt to assess factors determining extent of overdues and the amount of overdues across different categories of farm households.Study revealed that the large farmers had the larger share in the crop loan overdues . In the

investment loan overdues also, they had failed to repay. Study showed that the large farmers who abstained more farm income were responsible for the incidence of willful defaulting.

Ejike *et al. (*2013) analysed agricultural credit risks and defaults management by banks in Imo state. Author stated that an understanding of the risks and defaults associated with agricultural credit to farmers by banks will help in enhancing the performance and effectiveness of banks in credit risk and defaults management. They opined that by proper application of credit risk and default management techniques banks can reduce both risks and defaults associated with agricultural lending. Author suggested that there should be strict enforcement of loan repayment obligations by credit officers.

Harikumar (1991) carried out a study to analyse the utilization of loans, overdues and factors affecting proper repayment and overdues. The crop failure and fall in prices were identified as major factors influencing loan defaulting.

Puthussery ((1999) studied the overdues problem at the beneficiary level analysis with the objective of identifying the reasons for defaults. It was observed that the major reasons for the heavy overdues are ; modification of the subsidy system, high family expenditure, willful neglect, diversion of income from the project and inappropriate government policy.

Talwar (1996) analysed the causes of overdues in agricultural development banks. He expressed that the increasing overdues from year to year is one of the major factors which affects the flow of credit in the long term cooperative structure. He discussed various internal and external factors responsible for overdues. Author mentionad the measures which can possibly and easily be taken to reduce overdues problem.

.Chidambaram & Ganesan (2002) have made an attempt to analyse the problems of overdues in primary agricultural credit co-operative societies in Madurai District of TamilNadu. They pointed out that overdue was mainly due to the disloyalty, poverty and ignorance of

members. They analysed the various causes of overdues and found that impact of loan waiver scheme of the government was one of the important causes of the overdues followed by crop failure, disloyalty of members, political factors, misuse of funds and the like. They felt that overdues can be minimized by adopting stringent legal actions and also persuasive measures.

Malimba & Ganesan (2009) examined the factors contributing to credit repayment behaviour among the members of savings and credit co-operative societies in Rwanda. They analysed the demographic and socio-economic variables contributing to the repayment behaviour and used a binary logistic regression empirical model to estimate the contribution of each variable to credit repayment rate. It was found that age, gender and size of the household, purpose of credit, interest rate charges and number of official visits to the credit societies have a strong effect on loan repayment performance. They suggested that the society officials must concentrate more on credit supervision and they must frequently visit their borrowers to improve loan repayment.

Rabin Muzumder *et al.* (2014) examined the recovery performance of rural credit given by PACS in six different regions of India namely Central, Northern, Southern, Eastern, North-east and Western. Authors investigated the extent of regional disparity in recovery performance of rural credit from the primary agricultural credit co-operative credit societies in India . It was found that the performance of credit recovery has been low in the northern eastern states & high in Northern and Southern states.

Adedapo (2007) made an attempt to examine the default risk involved in agricultural loan and determined the effect it had on the level of loan given to farmers in Osogo agricultural zone of Osun state. Descriptive statistics, multiple regression and analytical techniques were used for analyzing the data. It was found that both the default rate and default risk were high and this was the main cause of unwillingness of the banks to grant loan for agricultural purposes.

Pankaj kumar & Prabhat kumar [2012] studied the financial viability, financial performance, efficiency of loan recovery, loan overdue and profit earning capacity over the eight-year period. Authors found that the main problem of the PACS in West Bengal was poor handling of capital and too much dependency on debt capital disregarding internal fund generation. The rate of earning on debt capital was much lower than the fixed obligation to the debt capital. They opined that loan disbursement should be free and fair disregarding favouritism and nepotism.

Jacinta Nwachukwu [2013] studied default in a government sponsored agricultural loan programme in South- Eastern Nigeria. He focused on the major characteristics of the Imo State Supervised Agricultural Credit Loans Board's [ISACLB] beneficiaries who completely failed to honour their repayment commitment as opposed to those who partially repaid. The study contributed to the empirical literature on the credit repayment behaviour of beneficiaries of government financial agricultural loan schemes.

4.0 IDENTIFICATION AND DEFINITION OF THE RESEARCH GAP

From the review of literature, it is clear that no studies have been carried out in the area of default risk in Primary Agricultural Cooperative Societies in Dakshina Kannada district. Mounting overdues position in PACS creates problems which have far-reaching implications and affects the overall agricultural lending operations. Recovery of loans assumes greater importance in the sound functioning of PACS. There is a need to study problems associated with lending, causes for default, recovery problems, and attitude of defaulters and cooperative societies. Study aims to analyse the default risk from the point of view of defaulters as well as cooperative societies.

5.0 STATEMENT OF THE RESEARCH PROBLEM AND RESEARCH QUESTION

Agricultural credit is one of the most crucial inputs in all agricultural development programs. Primary agricultural credit societies working at grass root level, having direct contact with the rural people and meet their financial requirements. The problem of loan overdue is a serious concern in different regions of the country, as it affects the recycling of funds and losses its economic viability as a lending institution. Hence, default risk of PACS is identified as research problem. The study makes an attempt to analyse the overdue problem on PACS in D.K district comprising Mangalore, Bantwal, Belthangady, Puttur & Sullia Taluks.

6.0 OBJECTIVES OF THE STUDY

The study in general aims to evaluate the potentialities of Primary Agricultural Cooperative Societies [PACS] operating in D.K district and their role in rural financing.

The specific objectives are:

- To appraise the performance of PACS in recovery of overdue amount in D.K district .
- To identify the areas of default risk and to explore the causes of overdues;
- To evaluate the banking operations and estimate the operating cost incurred by the PACS in recovering overdue amount;
- To evaluate problems related to default risk and to develop model;
- To estimate the cost of default on member borrowers in connection with the overdues;
- To suggest measures for minimizing the default risk in PACS.

7.0 HYPOTHESES

The major hypotheses of the study are the following:

- High profitability of PACS results in better financial performance.

- Quantum of overdues and the rates of profit are inversely related.
- Willful default of the beneficiaries is the major cause for mounting overdues
- Sound working capital improve the financial performance of PACS
- Default risk is less in scheme based loans as compared to non - scheme based loans.

8.0 RESEARCH METHODOLOGY

8.1 Research Population

Primary Agricultural Cooperative Societies [PACS] operating in D.K district are the population of the study. There are 115 Primary Agricultural Cooperative Societies in D.K district.

8.2 Sample Size

Dakshina Kannada District is divided in to 5 Taluks. PACS in these 5 Taluks are selected for the study. Stratified sampling technique is used to select samples. From each Taluk 10 PACS and 50 defaulters will be selected as samples. Therefore a total of 50 PACS and 250 defaulters will be selected from the population.

8.3 Data Collection

It is an empirical study, which is exploratory in nature. It uses both primary & secondary data. Causes for overdues will be collected through schedules & interviewing with defaulters. Informal interviews with the officials of the cooperative departments, discussion with experts in the field & personal observation of researcher will constitute the sources of information for the analysis.

The Secondary data will be collected from various published & unpublished sources such as books, journals, magazine, research papers, website, newspaper articles, annual reports, Audit Reports a & other records of PACS.

8.4 Tools of Analysis

Statistical techniques such as percentages, averages, correlation analysis, regression analysis, chi- square test etc. can be used for presentation, analysis and interpretation of data.

9.0 SCOPE OF THE STUDY

The scope of the study is limited to Primary Agriculture Cooperative Societies[PACS] in D.K dist. And it mainly concentrates on three important aspects:

- The efficiency and effectiveness of the funds managed.
- The structure of overdues.
- The causes and factors affecting overdues and its impact on profitability.

10. LIMITATION OF THE STUDY

The study is restricted to Primary agricultural cooperative societies [PACS] of D.K. district only and does not cover other districts of Karnataka.

11. CHAPTER SCHEME

The study will be presented in 6 chapters.

Chapter I - This chapter is an introduction to the study & outline the meaning of key terms used in the study, objectives of the study, importance of the study, hypothesis, plan of the study, period of the study, research methodology and sources of data, scope and limitations of the study and review of literature related to studies on cooperative credit societies and default risk of financial institution.

Chapter II- Conceptual and theoretical framework

Role of cooperatives, cooperative movement in India, cooperative in Karnataka, Agricultural cooperative societies in Karnataka , importance and role in rural financing.

Chapter III - Default Risk in Primary Agricultural Co-operative Societies and analysis of composition of overdues

Chapter IV - Determinants of overdues, reasons for overdues - beneficiary level analysis & Institutional level analysis

Chapter V - Data Analysis : Analysis of impact of overdues on cost and profitability.

Chapter VI - Findings & Suggestions.

12. CONCLUSION

The cooperative societies are playing a very important role in the agriculture sector by providing required financial support for its overall growth. Numbers of studies have been undertaken by several authors, most of these have examined the functioning and business position of PACS at different situations. In depth study of nature of fund mobilization, fund utilization, problems of default risk etc. may lead to a valid action plan for the development of PACS in future. The present study aims at an in depth analysis of problems associated with default risk.

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